



GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

FILED

FEB 15 2011

SECRETARY, BOARD OF
OIL, GAS & MINING

February 10, 2011

TO: The Board of Oil, Gas and Mining

FROM: John Rogers, Associate Director, Oil & Gas *JR*
Dustin Doucet, Petroleum Engineer *DD*
Brad Hill, Permitting Manager/Geologist *BH*
Clinton Dworshak, Compliance Manager/Geologist *CD*

RE: Staff Memorandum to the Board for Docket No. 2011-003
Cause No. 270-01

The Oil & Gas staff of the Division of Oil, Gas and Mining ("the Division") has reviewed the referenced matter which will be presented to the Board of Oil, Gas and Mining ("the Board") during the February 23, 2011, hearing. With this memorandum, the Division summarizes its consideration of the matter.

Summary of Requests for Agency Action

Summit Operating, LLC ("Summit"), with legal representation by Jeremy Schwendiman is requesting an order from the Board establishing a 320-acre drilling and spacing unit for a horizontal well in and the production of oil, and gas, and other hydrocarbons from the Green River Formation in the west half of Section 16, Township 7 South, Range 21 East, S.L.M., Uintah County, Utah ("Subject Lands").

Comments from Staff Review of Request

Land Review

The minerals and surface for the subject lands are owned by the State of Utah and administered by the State of Utah School and Institutional Trust Lands Administration (SITLA). Summit should give testimony at the hearing that mineral owners, overriding royalty owners or other production interest owners, and producers and operators within one-half mile of the proposed surface location and one-half mile of the proposed horizontal well-bore have been properly notified and correlative rights will be protected.



Engineering Review

Exhibits 4 and 5 show the expected drainage radius for the proposed horizontal well based on calculated drainage radii from wells producing in the immediate area. Based on the evidence provided in Exhibit 5, the expected drainage from the proposed well would not be greater than 320 acres and it would not be expected to drain outside of the proposed spacing unit if it is drilled down the center of the proposed unit as described in Exhibit 3. Summit should provide testimony on how the information in Exhibit 5 was derived and how it is relevant to the proposed well and the subject lands.

Geology Review

Geologic Exhibits 6 and 7 for this matter were derived from good well control and appear to be a reasonable representation of the Green River sub-surface geology for the subject lands. Geologic Exhibit 8 is a local cross-section showing the productive intervals for the Douglas Creek Member in and around the subject lands. Geologic Exhibit 9 is a type log describing the proposed spaced interval for this matter. The petitioners should give testimony at the hearing explaining how these geologic exhibits support their request.

Points to Consider

The Board is required to “*specify the location of the well in terms of distance from drilling units boundaries and other wells*” (Utah Code 40-6-6(5)(d)). Summit’s request did not state specific setbacks for the proposed horizontal well from the proposed unit boundaries or other wells within the proposed drilling unit. Oil and Gas Conservation General Rule R649-3-2 describes setbacks for Statewide Spacing for Horizontal Wells.

Recommendation

The staff has reviewed the submitted Request and exhibits and finds no issues with the proposal other than those outlined in this memo. We will participate in the hearing, listen to testimony given, and ask questions if necessary for clarification. Upon Summit’s testimony further supporting the proposal and no unforeseen issues, the Division would recommend approval of the Request.

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing STAFF MEMORANDUM for Docket No. 2011-003, Cause No. 270-01 to be mailed with postage prepaid, this 15th day of February, 2011, to the following:

Jeremy C. Schwendiman
Attorney for Petitioner Summit
Operating, LLC
1245 E Brickyard Rd, Ste 2010
Salt Lake City, UT 84016

David Lillywhite, Presiding Officer
Summit Operating, LLC
1245 E Brickyard Rd, Ste 2010
Salt Lake City, UT 84016

Michael S. Johnson
Assistant Attorneys General
Utah Board of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
[Via Email]

Steven F. Alder
Fred Donaldson
Assistant Attorneys General
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
[Via Email]

Bureau of Land Management
Branch of Fluid Minerals
P.O. Box 45155
Salt Lake City, UT 84145

Bureau of Land Management
Vernal Field Office
170 South 500 East
Vernal, UT 84078

Ute Indian Tribe of the Uintah and
Ouray Reservation
P.O. Box 190
Fort Duchesne, UT 84026

State of Utah School and
Institutional Trust Lands Admin.
Attn: LaVonne Garrison
675 E. 500 S., Ste 500
Salt Lake City, UT 84102


